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THE FERGUSON GROUP, LLC

1130 Connecticut Ave, NW ♦ Suite 300 ♦ Washington, DC ♦ 20036
Ph. (202) 331-8500 ♦ Fax (202) 331-1598

MEMORANDUM

TO: Jason Peltier
Central Valley Project Water Association

FROM: Roger Gwinn

RE: California Congressional Delegation Meeting with Leon Panetta

DATE: December 11, 1996

Rep. Vic Fazio organized a meeting with Leon Panetta at the White House today to discuss CALFED funding for fiscal year 1998. Rep. Fazio sought a face-to-face meeting with Mr. Panetta in order to stress the importance of the administration meeting the Federal commitment to CALFED in the upcoming budget.

Rep. Fazio was joined by Rep. Cal Dooley, along with the staffs of Senators Boxer and Feinstein and Reps. Miller and Dooley. Katie McGinty, chair of Council on Environmental Quality, John Emerson, Martha Foley and several other staff members from the White House were also present.

The meeting was characterized by a number of those in attendance in very favorable terms. Mr. Panetta indicated that he wanted to meet the Federal commitment to CALFED. He said that it was critical that the administration follow through.

However, he indicated continued concern from some quarters in the administration, particularly from OMB, about the ability to spend a significant amount of money in fiscal year 1998. He also stressed that OMB was still concerned about specific projects versus categorical funding.

But he was very strong on the point that the Administration needed to put forward a funding proposal, one that is both doable and credible.

He reacted very favorably to the stakeholders efforts to focus on specific areas of funding and on identifying specific types of projects that could be carried out in fiscal year 1998. He reacted positively to the fact that the request was down to \$120 million from \$143 million.

915 L Street ♦ Suite 1000 ♦ Sacramento, CA ♦ 95814 ♦ (916) 443-8500 ♦ Fax (916) 443-8545

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There apparently was a significant discussion about budget authority versus outlays. Mr. Panetta indicated that it would be easier to come up with the budget authority, possibly even \$143 million in BA, but the outlays were going to be difficult.

Reps. Dooley and Fazio stressed the need to keep the CVP Restoration Fund dollars separate from the CALFED funding. They stressed that "double counting" doesn't work and that it was a mislabeling of the funds, at best, given that the Restoration Fund is composed of contributions that the water and power users make on an annual basis. Mr. Panetta reportedly was sympathetic to this concern.

Finally, Mr. Panetta indicated that the administration would like to explore the possibility of designing a new mechanism for administering the Federal dollars, one that provides greater flexibility than monies appropriated to specific projects. In particular, he suggested that the administration was exploring establishing a trust fund, like the one that is used to administer the Federal dollars in South Florida in the Everglades restoration project. In that case, funds are apparently appropriated to a trust fund and then drawn down by the Federal agencies as funds are needed for projects that are identified by the agencies and the stakeholders.

Reps. Fazio and Dooley and others expressed interest in the concept, but stressed the need to maintain consensus among the stakeholders and the need for the stakeholders to be given an opportunity consider and discuss the proposal. Mr. Panetta agreed.